



# MTRB Employer Bulletin

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## Coming soon—a new enrollment tool!

We're simplifying the process for everyone—you, the enrollee and us

The MTRS Employer Services and Information Technology teams are in the final stages of building an upgraded version of the online enrollment process. We expect that final testing will be completed and implementation will occur in early 2006. When the new version is launched, we will notify payroll officers and other district business administrators via broadcast e-mail.

For all users, the “look and feel” and the basic functionality of the new enrollment tool is generally similar to the existing version. There are, however, several important improvements:

■ **For employers:** There will be a new MTRS assignment sheet that will enable payroll officers to pre-register their new teachers. To help you establish the enrollee's contribution rate, the new process will provide you with a simplified *Enrollment confirmation sheet* that contains a

preliminary determination of the member's contribution rate, and clearer, more streamlined information about the enrollee's prior employment history and, if applicable, RetirementPlus status.

- **For enrollees:** The new online form is simpler, shorter and, overall, more user-friendly for enrolling members. It will provide them with an important introduction to their retirement system, including links to our web site and other valuable resources.
- **For us:** The new process will greatly expedite the establishment of new member accounts by eliminating several manual steps. Most importantly, it will help to prevent the assignment of incorrect contribution rates and allow us to notify you in time to avoid the difficult and time-consuming process of resolving incorrect assessments. ■

## The voc-ed work experience service bill is now law: Understand what this means for you and your employees

Eligible members may purchase up to three years of retirement service credit, and they'll be asking you to verify their starting salaries

Effective December 14, this new law allows certified vocational-technical educators to purchase service credit for their prior experience working in their trade.

### What does this new law mean for your employees?

Vocational-technical educators who have been certified by the Department of Education under Chapter 74, and who have then become employed in a position that required Chapter 74 certification, may be eligible to purchase up to three years of

service credit for the years they spent working in their trade before their career in education.

To be eligible, members must have at least 10 years of membership service and must be a member in service of the MTRB. Retirees and inactive members are not eligible.

The cost of the purchase is based on 10 percent of the member's starting salary as of his or her most recent date of membership in the MTRS, for each year to be purchased, plus buyback interest at 4.125 percent.

There are limits on both regular compensation amounts and the annual retirement benefit itself—

## IRS retirement benefit limitations may affect highly compensated administrators

As more senior administrators approach retirement, the MTRB has been reviewing the public sector retirement benefit limitations currently found within the Internal Revenue Service code. These limitations are on both the amount of regular compensation and the annual retirement benefit itself. If you, or one of your colleagues may be faced with one of these benefit limitations, we encourage you to contact us for more information. Please note:

■ **Limit on the amount of compensation that can be used when calculating a plan participant's total earnings for his or her three-year average salary:**

This limit is established in section 401(a)(17) of the IRS code. The general limit for 2005 is \$210,000. For example, a retiree cannot use any compensation in excess of \$210,000 toward his or her average salary calculation this year. There are grandfathering provisions that may increase this limitation for certain individuals, so members with concerns should contact the MTRB. As we go to press, the IRS has not yet announced the calculation limits for 2006.

■ **Limit on the annual retirement benefit:** This limit is established in section 415(b) of the IRS code. The maximum retirement benefit for 2005 is \$170,000 for any member who retires at age 62 or older. This limit is lowered by an actuarial calculation if the member retires before the age of 62. For members retiring in their fifties, this reduction may be significant.

The MTRB is prepared to do an analysis, with the cooperation of the state actuary, for every member filing for retirement who is approaching this limit. Again, any member preparing for retirement who may be affected should contact the MTRB for further information.

Additional information on these limitations can be found on the IRS web site at [www.irs.gov](http://www.irs.gov). The MTRB will continue to monitor this situation and to provide information to employers and affected constituent groups as the issue develops. ■

## Voc-ed work experience

Continued from page 1

### What does this new law mean for you as an employer?

If your school or school district has a vocational education program, and your vocational-technical educators are certified by the DOE under Chapter 74, your current and

former employees will be requesting you to help complete their service purchase applications. This purchase application will be very similar to the applications the MTRB has used with service purchases for maternity leave, Peace Corps service and military service.

Members are required to provide the MTRB with the starting salary from the district in which they last established membership with the retirement system.

*"We have been working with the DOE and vocational educators' groups to ensure that this new legislation is implemented smoothly and on time.*

*Leaders from DOE, the Massachusetts Vocational Association (MVA) and the Massachusetts Association of Vocational Administrators (MAVA) have provided great technical and administrative support, and we can't thank them enough for all of their help."*

—Joan Schloss, Executive Director

Accordingly, employers will be asked to verify, on the application, the member's starting salary rate with your school district.

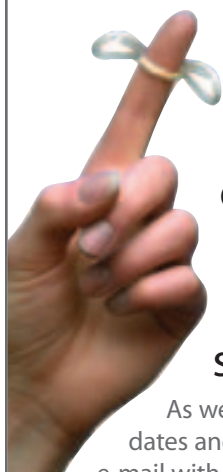
**Example:** If a current employee of yours started her career:

- **in another school district**, that school district will need to certify her starting salary rate on the application.
- **in another school district, but withdrew her retirement funds from the MTRB when she separated from service there**, she will need to obtain the starting salary from your school district when she once again became a member of the MTRB.

We expect that there will be an initial rush of applicants as this is a new law—and many veteran educators have been waiting a long time for this legislation to be enacted. We anticipate that once this initial period is over, the number of applicants per year should decrease as newer members gradually obtain 10 years of creditable service and become eligible to apply for this service purchase.

Thank you very much for your attention and cooperation as we implement this new law. We will be providing regular updates to you via broadcast e-mail as well as on our web site as we finalize the details. ■

## R E M I N D E R S &amp; U P D A T E S



## We'll be announcing our fall seminars for members soon—please help us spread the word!

As we go to press, we're finalizing the dates and locations; please watch for an e-mail with the final schedule, and encourage your employees to attend!

The MTRB will be presenting our annual series of *Your MTRS Benefits* seminars across the state in November and December. This comprehensive overview of the teachers' retirement plan and member benefits is a very popular program for our members and is relevant for plan participants of all ages and years of experience.

By the time you read this, the seminar schedule and online registration will be available on our web site at **mass.gov/mtrb**. Registration is easy and the program is free! We are expecting an unprecedented number of retirements in the next few years and this is an excellent opportunity for your employees to get information directly from the source.

We ask that you recommend this program to your staff and please consider attending one of these sessions yourself. We would welcome your attendance and feedback! We truly appreciate your assistance in promoting these valuable programs. ■

## Please forward your collective bargaining agreements

If you've already done so, thank you!

If not, please remember to send us your electronic files

We're happy to report that school districts are responding to our request in August for electronic copies of their collective bargaining agreements, sending them to us via e-mail attachment. As a result, we are expanding our electronic contract archive. Having this information is facilitating retirement processing by eliminating much of the back-and-forth communication with employers.

If you have already sent us your contracts, thank you! If you haven't yet, please do so at your first opportunity. If your district is among those where contracts are currently unsettled and negotiations are in progress, please notify us by e-mail. Please e-mail your contracts to us at **empsup@trb.state.ma.us**. ■

## Thank you for making our summer training series a success!

More than 400 payroll and business administrators attended our eight seminars across the state

On August 12th in Hyannis, the Employer Services unit presented the last session in our 2005 summer employer training series. This year more than 400 school district payroll and business administrators attended one of the eight seminars offered in locations around the state. This year's topics included an update on the progress of the new MTRS eRetirement system project, a discussion of recent legislative changes to public retirement law, and presentations on regular compensation and the rules governing working after retirement.

We received several questions on the subject of whether to take Social Security or alternative retirement deductions for members who have retired from the MTRS and have returned to public service employment. Please note that we are putting together an article on this topic that will appear in an upcoming edition of the *Employers' Bulletin*.

In early December we will offer, in our Boston and Springfield offices, a series of training sessions for new school payroll officers and business managers. Watch your e-mail for an announcement of the dates. ■

## Be sure to use our two newest online forms

The "submittable" RetirementPlus APA and the Refund Application, Part 2 are online and accessible via the blind, "Interactive MTRB forms for payroll administrators" page at **mass.gov/mtrb/4emp/42emplks.htm**

Per our recent e-mails, we have posted two new interactive forms for employers: the 2005–06 RetirementPlus Accelerated Payment Application, and our Refund Application, Part 2.

Please be sure to use the new APA file, as it is "submittable" online, and we want to receive your data electronically. As a reminder, if the member's retirement date is July 1, 2006 or after, you probably don't need to submit an APA. If the member has contributed at 11% for five full years, then she has met the contribution requirement for RetirementPlus and has NO accelerated cost and does NOT need to complete an APA.

As announced in September, the employer's portion of our new Refund Application (Part 2) is available as an interactive pdf form. Please feel free to use either the online version, or the copy you receive from the member. ■

FROM THE EMP@MTRB.STATE.MA.US INBOX

## Q: When the MTRB calculates creditable service for teachers who become administrators, when is a year **not** a “year”?

The number of years of creditable service that a member accrues is critical, especially when it comes time to retire: It is one of the three factors in the benefit calculation formula (age and three-year salary average are the other two), and, generally, more years of creditable service means a greater retirement benefit amount.

While creditable service is earned by all educators who are employed on at least a half-time basis and who are contributing members of the MTRS, it is computed differently for teachers and administrators because of the difference in the terms of their contracts. (For the text of our regulation on this, please see our web site at [mass.gov/mtrb](http://mass.gov/mtrb) > **About the MTRB** > **Regulations**, and refer to 807 CMR 3.02, *The amount of service in any calendar year that shall be the equivalent to one year of creditable service.*)

All members—teachers and administrators—employed on a full-time basis will earn one year of creditable service for each contract year completed. Likewise, all members employed on a *less* than full-time basis will earn an amount of service credit that equals their percentage of full-time employment.

The concept is simple, and the calculation of creditable service is straightforward for members who have all teaching or all administrative service. However, **in the case of a teacher who becomes an administrator, the**

**calculation of creditable service for the member’s first year as an administrator can be complicated**, depending on when in the contract year he or she begins the administrative position.

What this means is that, depending on when a member leaves teaching service and begins employment as an administrator, he or she may not receive 1.0 year credit for the first “year” as an administrator.

**Payroll officials please note:** The MTRS deduction report that school districts compile and submit every month, along with their teachers’ retirement contributions, contains a Contract Term factor that enables our system to calculate and store every member’s accumulated total creditable service. For a typical teacher working a September-through-June contract, this value is 10 and the system indicates 0.1 year of creditable service for each month worked and for which we posted contributions. In the case of an administrator with a 12-month contract, the contract term is reported as 12 and each month is worth 0.0833. **When you have an employee whose situation changes in a way that involves a conversion to a different contract term, please be sure to update your payroll deduction report.** Remember that when this occurs, it becomes possible for an educator to receive less than a full year of service credit for the first year in which he or she serves as an administrator (*see example, below*). ■

**Q:** *I worked as a teacher for the entire 2003–04 school year (through June 30). I then began employment as an administrator in the following September, and worked through the full 2004–05 school year. Even though I had no break in service, I am being credited with less than two full years of service—just 1.8330 years. Why?*

**A:** Because your administrator’s contract is on a 12-month term, starting July 1. Since you began employment two months into the term, you receive credit for 10/12ths of a year (0.8330 year). If you began employment on *July 1* instead of September 1, then you would have received one full year of credit for your first year as an administrator.

Position	Period worked	Number of months	Contract term	Creditable service earned
Teacher	9/1/2003 – 6/30/2004	10	9/1/2003 – 6/30/2004 10 months; 1 mo = 0.1000 yr	<b>1.0000 year</b> 10 mos x 0.1000 yr/mo
Administrator	<b>9/1/2004</b> – 6/30/2005	10	<b>7/1/2004</b> – 6/30/2005 12 months; 1 mo = 0.0833 yr	<b>0.8330 year</b> 10 mos x 0.0833 yr/mo
Total creditable service for 2003–04 and 2004–05 school years:				<b>1.8330 years</b>



See us again for the very first time!

*We’re at the same place, but with a new look—please check out our redesigned web site at **mass.gov/mtrb**!*